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Activities of Banque H. Worms et cie

ACTIVITIES OF BANQUE H. JORNS ET CIE.

AND ITS ASSOCIATES

MARCH 1942 - AUGUST 1943

Description

A supplement to the previous report (R and A No. 594) detailing the operations of the French collaborationist banking group since that time and adding further information in the light of intelligence subsequently received.

15 November 1943

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SUMMARY AND CONCLUSIONS

1. The members of the French banking and industrial firm of Banque H. Worms et Cie. and a group of men of like political complexion more or less loosely associated with them have been among the leading intermediaries between the Germans and the French in effecting Axis penetration of French industry and business.

2. These men, with wide international connections, have sought to retain and enlarge their power through the vicissitudes of France, and have, to this end, attempted to maintain their relations with the Allies while collaborating to the fullest extent with the Germans.

3. Having become convinced some time ago that the chances of a German victory were much diminished, they shifted large sums from the profits of collaboration to French North Africa before the Allied invasion. They already had extensive business and financial connections in this area; they also arranged to have their interests protected by representatives at the political level.

4. Shortly after the invasion, pressure was brought on the Allies to revise the exchange rate in favor of the franc, whereby their profits have been greatly increased.

5. Determined attempts were also made to translate these sums into some stable form, preferably dollars or sterling.

6. Persons prominent in the French North African government who, despite long records of collaboration have ingratiated themselves with the Allies, have sought zealously and by a wide variety of means to abet this step.

7. The same problems will inevitably arise in future occupations. To avoid the same dilemmas, it will be necessary to retain the executive power in the hands of the Allies, to keep suspect persons from places of authority, and to maintain the most rigid controls over financial affairs.

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ACTIVITIES OF BANQUE H. WORMS ET CIE. AND ITS ASSOCIATES, MARCH 1942 - AUGUST 1943

I. INTRODUCTION

In the seventeen months between the preparation of the previous report on the activities of the French private bank of H. Worms et Cie. and August 1943, events took place of the utmost significance to its operations. The return of Pierre Laval first as Premier and subsequently as effective head of government, the Allied invasion of French North Africa, the German occupation of all continental France, and especially the apparent turning of the tide of war away from a possible German victory have all had their effects on the Worms clique. As might be expected from the earlier study, and as was there forecast, Worms et Cie. and the men surrounding it have fought intensively and successfully to protect their interests and to entrench their power with the side which now appears to be the likely victor. Our occupation of North Africa has brought this country into direct contact with Worms representatives and our concern is no longer academic. Not only have we now been faced with very real problems of immediate policy with respect to these men and their aims, but we shall also be faced in the future, as occupation of the European continent progresses, with the necessity of making decisions concerning these men and their

colleagues and counterparts in other countries. The present study, therefore, seeks not only to chronicle the economic and political activities of the Worms group since the last report, and to add intelligence about its earlier operations subsequently received, but also to analyze the relations between the clique and the United States in French North Africa as a type case illustrating problems which will have to be met again as other areas are occupied.

It is perhaps necessary to guard at the outset against a false impression which might arise from the use of convenient collective expressions for the individuals concerned. Such phrases as "the Worms clique," "the Banque Worms group," "the men of Worms," and similar labels, should not be taken to mean that all of the individuals concerned were bound together by explicit relationships or acted in concert as the result of specific central policy decisions. Most of the persons mentioned have been bound together by a kind of social and professional freemasonry, and may, in the broadest sense of the word, be called a clique. But the truth is that, while the Banque Worms has served as one focal point for collaborationist action, other reactionary banking and industrial foci have existed and still exist; among these groups there is great mutuality of political sentiment, and similar self-interests have produced similar patterns of thought and action. In some instances the Worms group is merely tangent to other

groups; in other cases they intersect; but in almost all situations the behaviour of the several men and groups, under similar pressures and dedicated to similar ends, has been if not predetermined or concerted, at least generally the same. The "Worms group," then, should serve simply as one convenient center of collaborationist activity which may be observed in order to gain a typical picture of action by individuals, some central and some peripheral to the bank itself.

II. AMENDMENTS OF THE PREVIOUS REPORT IN THE LIGHT OF ADDITIONAL INTELLIGENCE

A. Addenda to Biographies

1. Jacques Barnaud. On the basis of reports then at hand, it was indicated in the earlier study that Gabriel Leroy-Ladurie was the real power in the Worms group. Intelligence since received, especially through conversations with Frenchmen now in this country who were socially or professionally familiar with the members of the group, indicates that it is Jacques Barnaud at least as much as Leroy-Ladurie who wields the central control. There is evidence that Barnaud's willingness to collaborate with Germany is of long standing, and that, as early as 1935, he was engaged in deals which sought to tie French and German industrial interests together. After the French surrender, Pétain appointed Barnaud economic advisor to the French delegation at the Armistice Commission. For some

unknown reason Barnaud apparently did not give satisfaction to the Germans at the outset, and the German-controlled newspaper Paris-Soir conducted a violent campaign against the Banque Worms and Barnaud for about a month in the winter of 1941-42.[1] Some understanding must have been reached, however, since the attacks ceased and Barnaud was almost immediately appointed Delegate-General for Franco-German Economic Relations, with the approval of the Germans.

Barnaud is apparently the Worms partner who most frequently represents the bank on the boards of directors of associated enterprises. His affiliations with Air-France, the French and Foreign Investment Corporation, and Royal Dutch Shell were noted in the previous report. To these may now be added directorships in the Estrellas Mining and Finance Corporation,[2] and the Nouvelle Compagnie Havraise Peninsulaire de Navigation.[3]

Barnaud is not only a partner of Worms et Cie. but is also believed to be married to M. Worms' sister. One refugee has described him as "intelligent, scheming, ambitious and scornful of principles which may interfere

1. Inspection of the few scattered copies of this newspaper during this period which are available here fails to reveal any such attacks, but the file is so fragmentary that no adequate check is possible. Extensive, if prejudiced, information would doubtless be available in such a series of articles.
2. For this company, see earlier report, p. 22, and present report, below, p 15 ff.
3. For this company see below, p. 9.

with the realization of his wishes."

2. Gabriel Leroy-Ladurie. Additional information has also come to hand regarding Gabriel Leroy-Ladurie, who was in 1930 only a subordinate in the Banque Worms. He is about forty-five years of age, and had previous experience as manager of a French bank in Poland, which he left to join Worms et Cie. According to one informant, Leroy-Ladurie has also been pro-German since about 1935 and succeeded in impressing his political convictions on the Banque Worms group; it was also he who was politically active in placing persons sympathetic to the Worms group in strategic government posts after the fall of France. The same source characterizes Leroy-Ladurie as "a hard worker, terribly ambitious, unscrupulous and cynical...He is pro-German, speaks the language fluently, and, despite his protestations of French patriotism, would prefer to see France under the German yoke if it would assure him an important position, rather than to live in France as an ordinary citizen...His weakness is that he is terribly sure of himself. He thinks he knows everything better than anyone else, and is incapable of refraining from giving immediate answers to any problem which arises."

3. Pierre Pucheu. It is also possible to document somewhat more fully the career of Pierre Pucheu, for many years associated with the Banque Worms and one of its most effective representatives in the political field. His

association with the Cartel siderurgique, noted in the previous report, placed him, in pre-war times, in a central position between representatives of German and of French heavy industry. The aim of the Cartel was to promote cooperation between German and French industry; in this post Pucheu worked closely with the Banque Worms, which had loaned him for this post, and also with the Bank Schröder of Cologne, which Worms et Cie represented in France. The Bank Schröder played a role in Germany not dissimilar to that of the Banque Worms in France, seeking with considerable success to establish and enlarge its influence in the field of heavy industry. Like Barnaud and Leroy-Ladurie, Pucheu favored Franco-German collaboration well before the fall of France and even before the war.

Pucheu's own version of his activities from 1940 on is given in a most interesting letter from him to a school friend, Admiral Auboyneau, dated 14 April 1943.[1] In this very lengthy communication, intercepted by the Allies, and perhaps intended for that fate, Pucheu goes into very great detail as to his idealogical development since 1940. The document is too extensive for anything more than summary here, but the principal points bearing on Pucheu's activities and ideas in the period previous to the earlier report are: (1) his approval of Pétain's

1. CID document 36546 S.

armistice chiefly because it avoided a German push on to Spain and North Africa; (2) his expression of loyalty to Pétain; (3) his insistence that, as Secretary for Industrial Production, he defended "foot by foot our stocks of raw materials which were nearly all in occupied zones," sought to limit German orders to non-military products, and delayed delivery even on these for an average of fifteen months; (4) his declaration that he fought constantly with his colleagues in the Pétain cabinet, resisting tenaciously any attempts to increase collaboration with Germany; and (5) his description of his activities as Minister of the Interior, especially his successful attempts to clean German agents and SS. personnel out of the police force and to liberate hostages.

The account which Pucheu gives of his attempts to free hostages out of purely patriotic motives does not accord with other information, received from a professed de Gaullist leader active in the publication of the underground newspaper Libération. When forty members of this group were arrested by Pucheu's agents, according to this source, Pucheu ordered their release after receiving an undertaking that the organization would make no attempts on his life for a period of six months.[1]

The validity of the Pucheu letter is considered in

1. CID document 15770 C.

Appendix A, and, for reasons stated there, the letter is rejected as a falsification designed to ingratiate Pucheu with the Allied authorities.

Additional evidence has come to hand of the association between Pucheu and the Cagoulards; he is said to have financed this movement, as well as Doriot's Parti Populaire Français, with funds advanced by heavy industry.

Intelligence from several independent sources indicates that, during the time Pucheu was in the government, he made numerous attempts to get in touch with leaders of left labor groups and of anti-collaboration and resistance organizations.[1] According to one source he did so in order to keep under control disturbances rising out of social problems or of anti-German sentiment. As Minister of the Interior, of course, one of his responsibilities was to preserve the peace. His overtures are said to have been repulsed by those whom he approached, who regarded him as the representative of the pro-German industrial trusts.

An interesting characterization of Pucheu has been received from one professing to know him well. "He is, in my opinion, one of the most remarkable individuals I ever met: a normalien, a worker of the first order and a tremendous organizer...Pucheu is a man who must be watched closely and is a power to be taken into account. His

1. CID document 2/100 R and elsewhere.

weakness, if it is indeed one, is that he is perhaps a little too trusting -- a thing which would appear astonishing and which impressed me upon several occasions as naivete."

4. Hypolite Worms. A report from a source otherwise reliable states that Mme. Worms was a Miss Samuel, sister of Viscount Bearsted of the London banking house of Samuel and Co.[1] Although Mme. Worms may be somehow related to the Samuel family, the above report is believed to be incorrect, since she is listed in the directories as nee Lewis-Morgan. She is in any event of English birth.

To the business interests in which M. Worms himself appears, may be added the Nouvelle Compagnie Havraise Peninsulaire de Navigation, of which he is the president. This firm operated both a French coastal trade and, significantly, routes from France to Algeria and from Algeria to Madagascar and Reunion.

5. Jacques Benoist-Mechin. Some additional intelligence regarding Benoist-Mechin has been received since the last report. He is forty-one years old, the son of a family ennobled by Napoleon. That his title is sometimes inconvenient in his political maneuvers is indicated by the fact that he habitually carries two sorts of calling cards, one bearing his proper title, the other merely

1. The association of Worms and Bearsted in the formation of the French and Foreign Investment Corp. was mentioned in the previous report, p. 18.

his name.

No member of the Worms group, indeed, hardly any Frenchman, is so thoroughgoing an Axis sympathizer as Benoist-Mechin. When it appeared that the Allies might attack Madagascar, he stated publicly that Vichy might look to Japan for aid in defending the island and that "if need of it should be felt some day, keeping in mind our excellent collaboration with Japan for the defense of Indo-China, we should not hesitate."

In July 1942, in his capacity as head of the Tricolor Legion, which superseded the Anti-Bolshevik League, and was dedicated to the task of fighting "American imperialism and Anglo-Saxon greed,"[1] Benoist-Mechin greeted members training for service on the Eastern Front with the words, "Today you fight against Soviet Russia. Tomorrow perhaps you will fight elsewhere."

Benoist-Mechin poses as an expert on artistic matters, and in pre-war France had special entree into rich Jewish circles, where he advised wealthy women on their art purchases for considerable commissions. He is said to have been one of the agents assisting William Randolph Hearst in the formation of his collections. He is linked by some reports with the Cagoulard plot of 1937. His wife is believed to be an American.

1. CID document 18419 S.

B. Omissions from Previous Report

1. Worms Affiliation of Jacques Guerard. Intelligence received up to the preparation of the earlier report made no mention of Jacques Guerard as an official of the Banque Worms, but more recently his name has several times appeared in connection with the bank. Guerard, like so many of the Worms group, is a former inspecteur des finances. He was subsequently associated with the Banque Franco-Chinoise, but was dismissed for reasons unknown. One source indicates that he was associated with the Banque de l'Indo-Chine, but this may merely be a confusion between the two far-eastern banks. At any rate he was subsequently employed by the Banque Worms, apparently in its dealings with insurance companies. Either before or at this time Guerard also served as financial adviser to the government of Iran.

In the early days of the Vichy regime, when Baudouin was serving as Foreign Minister, Guerard was his personal secretary. In mid-1941, following a promise by Darlan to Hitler that he would facilitate the passage of planes and troops across Syria to Iran and Iraq, Guerard was sent to confer with General Dentz. When the Free French conquered Syria, Guerard returned to France and subsequently appeared in Paris to represent the Banque Worms in "consolidating" the French insurance firms, that is, turning the French firms over to German control. In the Laval cabinet of

April 1942, Guerard was named Secretary-General attached to the Chief of Government. On 26 September 1942 he was appointed Vichy Minister to Portugal, a post which he retained, so far as is known, at least until August 1943.

Of Guerard's personal convictions not much is known beyond what may be gathered from his activities as outlined above. He is reported, while serving in the Foreign Office, to have shown some pro-American sympathies. It is also said that at one time he adhered to the syndicalist doctrines.

His exact position in the Worms group is not absolutely clear. While in the employ of the firm, he was probably not a full partner, but merely a high official. As in the case of the other Worms employees who have been loaned to government or industry, he doubtless retains his first loyalty to the bank and its interests, which he would have significant opportunities of furthering from such a strategic location as Lisbon.

2. Worms Partnership of Jacques Lemaigre-Dubreuil.

According to recent intelligence from one source Jacques Lemaigre-Dubreuil has assumed a partnership in the Banque Worms. If this is so, it is believed that he has established formal relations with the firm only in the last year, and his omission from the previous report is thus understandable. It is certain, in any event, that the known sympathies and

interests of Lemaigre-Dubreuil are in close accord with those of the Worms group and that he would be likely to act with it or like it in any given circumstances regardless of what formal relationship might exist. A discussion of Lemaigre-Dubreuil's evolution as a collaborationist and his subsequent activities belongs, however, to the chronicle of events since the last report, and is therefore considered below.

3. The Banque Worms and Synarchie. The name of the Banque Worms frequently appears in connection with the French political doctrine of "Synarchie."

This movement, which is of some years standing in France, has its origin among the polytechniciens. Its central aim is the establishment of a government of technicians which would subordinate domestic affairs to a kind of economic internationalism. Men with specialized technical training, supported by industrialists, international bankers and the like, would be the elite in such a society and would work with their opposite numbers in other countries for the elimination of national individualities and the knitting together of Europe into one tightly integrated economy. There is an obvious similarity between this doctrine and that of "technocracy" in the United States.

It is easy to see the appeal which such doctrines would have for the Worms group. Reports from one source,

not confirmed, indicate that Pucheu, Barnaud, Leroy-Ladurie and others of the Worms clique have been active in the movement. The program drawn up by them to be incorporated into Synarchie, as given by the same source, called for a determined effort to check social advances and for an attempt to draw French, German, British, and American interests together for common political action. Implementation of this program required the protection of Jewish and Anglo-Saxon interests on the Continent, the replacement of Churchill by Hoare, Beaverbrook, and Hore-Belisha, an agreement not to bomb heavy industrial centers, and, as soon as possible, a negotiated peace. The elimination of labor leaders from the French government and a program of collaboration with the Germans were regarded as the first steps.

It is not believed that Synarchie ever got very far as a practical political movement, but only that it served as a rallying-point for the Worms group's ideas and perhaps supplied some cohesion for men of like opinions.

It is not impossible that the French movement had some connections with the Mexican movement of somewhat similar aims, the National Sinarquista Union. This is reported to have been organized by German agents. No evidence, however, of any relationship closer than resemblance

of names and opinions is at hand.

C. Addenda to Knowledge of Worms et Cie. Operations.

1. North African Branches of Banque Worms. The existence of a branch of Worms et Cie. in North Africa has been reported since the previous study. A main office was located at 6, rue Jules Ferry, Algiers, and there may have been smaller offices in other North African cities. The resident manager of the Worms interests was Lucien Guerin, a director in one of the companies thought to be a Worms enterprise, the Société Métaux et Produits Chimiques. Of Guerin personally nothing is known at present.

2. The Banque Worms and Sweden. It was noted in the previous report that Jacques Barnaud had been in charge of French purchases in Sweden at the beginning of the war, and that he subsequently supervised Scandinavian purchases from Paris. It has since been learned that the Worms Swedish interests centered in the Fransk-Nordiska Handelskompaniet A/B with offices in Stockholm. The French opposite number of this firm, also a Worms company, was the Union d'Exportateurs Français pour l'Europe du Nord, said to have a monopoly of all the compensation and barter negotiations between France and Sweden. The latter company also maintained offices in Algiers, in the same building as the Algerian branch of Worms et Cie.

3. Worms and Estrellas. The ownership of 16,000 shares'

of the Estrellas Mining and Finance Corp., Ltd. by Worms et Cie. and dealings with the Canadian Custodian concerning these shares by Lewis V. Randalls (Ludwig Rosenthal) were mentioned in the previous report (p.23). It has since been learned that this company was organized in 1927 and that its head office was in Paris, with a branch in Montreal, presumably in charge of Randalls. The company is believed to control industrial and electric power enterprises, railroads, and mines in Canada, Mexico and elsewhere. In North Africa its principal holding is in the silver-mining firm, Compagnie Miniere de l'Oued Oudinu. Jacques Barnaud is a director of Estrellas, and Worms et Cie. its bankers.

4. Swiss-Moroccan Trade. From censorship intercepts, not otherwise confirmed, it is reported that Worms et Cie. has been active in the trade between Switzerland and Morocco, the goods being shipped via Tangier.

5. The Technique of Profitable Collaboration. The stimulus which prompted the initial inquiry into the Banque Worms and the members of its group was the appearance with increasing frequency of the names of persons associated with the bank in reports of German penetration of French commerce and industry. And the reason, in turn, why these previously unknown names appeared was because Worms et Cie. was playing a central role in this important

Axis operation.

After the fall of France, the Germans were faced with two principal steps in their assumption of control over French enterprise: first, to determine which key organizations it would be most profitable for them to seize, and, second, to acquire the power over the companies selected by the most expedient means.

The corporations marked for expropriation were selected on the basis of audits of their operations made by German accountants ostensibly for statistical purposes almost immediately after the occupation of Paris.

The directors of the chosen companies were then faced with a request to hand over a controlling interest in the firms either to a German company in the same field, or, more usually, to a French intermediary. "Payment" was of course offered for the shares, the payment being made by debiting the credit balance established by the Germans in the Bank of France by the daily write-up of Fr. 500,000,000 in occupation costs.

Other property which was even less ceremoniously acquired was that belonging to Jews, labor unions, and refugees. Here also a French intermediary usually appeared.

Following the acquisition of control by the Germans, the management of the enterprises was usually assumed by a combined French-German group. The French members of this

group were usually those who had previously acted as intermediaries in the deal.

As one after another of these negotiations was concluded, it became apparent that there was one relatively small group of men who acted most frequently as intermediaries and managers. This group held political opinions similar to and included some colleagues of the Banque Worms.

There are probably numerous reasons why the Banque Worms and its associates were found useful by the Germans for this role. The Germans knew of old that they could deal with Worms et Cie. There were unquestionably advantages in having Frenchmen represent them in dealing with Frenchmen. The extensive international connections of Worms et Cie. offered opportunities not only for manipulation during the war, but also chances to reach influential and perhaps sympathetic groups in Allied countries in the event of defeat or a negotiated peace. It is probable, also, that the Germans wished to tie powerful French interests closely to the destiny of the New Order in Europe so that they would be forced to back collaboration to maintain their own positions.[1]

The opportunities for profit in the process of

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playing intermediary between the Germans and French enterprise were plainly enormous. The men of Worms were not slow to realize on their chances. They were not so foolish, however, as to believe that the game would last forever, even in the event of a German victory. They were consequently vitally interested in disposing of the funds they had acquired in such a manner that they would be protected in any eventuality. For this reason, almost certainly with German acquiescence, they began early in the occupation period to move their funds wherever they believed they might safely rest. Of all the available depositories, French North Africa was probably the safest and certainly the most convenient.

C. The Banque Worms and North Africa. The very considerable activity of Worms et Cie, in the French North African area was not covered in the previous report.

From intelligence which has since come to hand, it is plain that, almost since the fall of France, the Banque Worms, in common with other collaborationist banks (Banque Nationale pour le Commerce et l'Industrie, Banque de l'Indo-Chine, Banque de Paris et des Pays Bas, Hersents, Mirabeau, and others) has been siphoning off to North Africa large balances representing principally the profits of collaboration.

It has been estimated that the total funds thus transferred by collaborationist banks together reached 35 billion francs. Transfers of this sort involved no special difficulty, since all the banks concerned, including the Banque Worms, had outlets or branches in French Africa.

It must be understood that the state banks in Morocco, Algeria, and Tunisia are not independent government institutions, but privately owned and controlled subsidiaries of financial groups in metropolitan France. Thus the State Bank of Morocco is a subsidiary of the Banque de Paris et des Pays Bas; the State Bank of Algeria a subsidiary of the Comptoir National d'Escompte; and the other banks in the area bear similar relations to parent banks in France.

It should also be realized that the exchange-control agencies in French Africa are not independent government agencies, but are instrumentalities of the state banks, whose ownership has already been indicated. Thus, the collaborationist group was in a position to demand and receive the cooperation both of the official banking institutions and of the exchange-control authorities.

The persons in the Worms group and the other international bankers concerned in very large transfers had little difficulty in transferring funds. Owning and operating

banks in France with branches in North Africa, to say nothing of owning commercial enterprises there, as will be noted below, they probably found the exchange of funds a simple matter.

In addition to the shipping line mentioned above, of which Worms was president, and the branch of the Banque Worms in Algiers, Worms interests in North Africa are believed to be:

a. Société Central d'Achats pour le Nord de l'Europe.

b. Union d'Exportateurs Français pour l'Europe du Nord, 6, rue Jules Ferry, Algiers. This is the North African branch of the company of the same name mentioned above. It is said to be affiliated with the Worms Swedish company, also referred to earlier.

c. Société Métaux et Produits Chimiques, 1, Place Edmond Doutte, Casablanca. This firm owns the only copper sulphate plant in Morocco, and deals also in lead, zinc, and copper. Lucien Guerin, Worms' African manager, is a director.

d. Société des Sucres et Produits Coloniaux.

e. Société Financière Transafricaine.

f. Compagnie Minière de l'Oued Oudinu. A silver-mining firm, in which Worms is interested through ownership of stock in the parent company, Estrellas Mining and Finance Corp., Ltd. (for which see previous report, page 2[illegible], and present report, page 15 ff.

Through the manipulation of the finances of these companies and through the branches of his own bank, Worms and his associates undoubtedly found it easy to siphon off capital formerly held in France. That the companies rather than individuals were used is indicated by the finding of the North African Economic Board that there were very few large personal accounts, though some bank and company accounts were sizeable.

Fullest realization of the profits of collaboration by the banks and individuals concerned required, however, three principal steps: first, the transfer of the funds to North Africa; second, the manipulation of the exchange rate in favor of the franc; and third, the translation of Francs into dollars, sterling, or some other free currency, or into investments or real property.

The first of these steps the Banque Worms had already taken well before the invasion of North Africa. The activities by which it sought, with considerable success, to carry out the two remaining steps under the noses of and with some help from the Allies belong to the post-invasion period and are described below.

III. ACTIVITIES OF THE WORMS GROUP SINCE THE PREVIOUS REPORT

A. The Rise of the Laval Government

At the time of the previous report the government, under the aegis of the Marshal, was headed by Darlan and contained in important posts a number of colleagues of and

political sympathizers with the Worms group. The actions of these men were motivated by two principal aims: the will for personal power at the expense of colleagues in the government, and the intention of preserving the dominance of the reactionary banking and industrial clique over the affairs of France, at whatever expense to patriotism.

As was inevitable in such a situation, cabal and anti-cabal, plot and counter-plot stirred just beneath the surface of the government's day-to-day activities. Rumors of a Pucheu coup d'état and of his part in the dismissal of Peyrouton were cited in the previous study for what they were worth as unsupported political gossip.

Reports of continued unrest and maneuvering within the government continued during the late winter and spring of 1943. One source stated, without confirmation, that a plot to overthrow Pétain was uncovered in Vichy in February, that Pucheu, Déat, and other collaborationists were the supposed ringleaders and that the coup had the approval of the Germans. It was planned, according to this source, to detain Pétain and a number of ministers, to call the Germans into the unoccupied zone as protection against communist activity, to eliminate the line of demarcation, and then slowly to build up a French army of some 400,000 for the defense of France and the colonies.

Whether this circumstantial report is correct or

not, it is certainly true that ferment was at work in Vichy. At the end of February 1942, Pucheu made a two weeks' tour of inspection in North Africa, the purpose of which one source describes as an attempt to bolster the falling prestige of the Vichy regime in that quarter.

The entry of America into the war had, in the meanwhile, served to convince Pucheu and probably others of the Worms group that the chances of a German victory were much diminished. In the late spring, according to one source, Pucheu made efforts to join the de Gaulle movement as a "borer from within," but was rebuffed.

The change in the course of the war, and the uncertainty and maneuvering which it caused at Vichy opened to the arch-schemer of French politics, Pierre Laval, the way he had been seeking. There can be little doubt that the Germans, faced with a certain stiffening on the part of Darlan and perhaps others of the government on account of Allied success, approved the re-entry of Laval.

The first break in the Darlan regime appeared when, on 16 April 1942, Lehideux was dismissed as Delegate-General for Public Works, and was replaced by Belin, who remained as Secretary of Labor.

During the following two days Vichy was in turmoil. Rumors of Laval's return, of the arrest of ministers of the previous government, and of general governmental confusion

were rife. Finally on 19 April the return of Laval and the government he had chosen were announced.

In general the Laval government was one without distinction, composed principally of weak men who were willing to accept office under him and to do his bidding. Both numerically and by reason of Laval's control over the government, the authority of Worms et Cie. in the cabinet was much less extensive than before. As indicated, Lehideux had already been dropped. Pucheu was dismissed from the powerful Interior post, having, according to his own not necessarily reliable statement, refused "the post of National Economy."[1] Since he had previously incurred the enmity of Laval, who coveted the Interior portfolio when Pucheu was appointed,[2] he could hardly have expected Laval to retain him.

Other less important persons politically sympathetic to the Banque Worms who were dropped were MM. Bouthillier, Berthelot, and Belin.

MM. Barnaud and Benoist-Mechin were retained, however, and two other Worms men were given cabinet rank: Jacques Leroy-Ladurie as Minister of Agriculture and Supply and Jacques Guerard as Secretary of State attached to Laval. The former remained in office for only six months, and was

1. No such post appears in the Laval cabinet as finally constituted.
2. CID document 24100 R.

replaced by Max Bonnafous, his assistant, on 12 September; the latter, as has been seen, was relieved and sent as Minister to Portugal on 26 September.

The principal policy of the Laval regime during its first months in office was that of the "relève," that is, the exportation to Germany of trained French workers. There is reason to believe that, as is reported from several sources, the Worms group opposed this step, and sought to obstruct its execution. It is easy to see how the scheme of a French-German Europe dominated by collaborating representatives of heavy industry and banking in each country would be threatened by such a policy. The Banque Worms was more than willing, at least so long as Germany appeared likely to win the war, to preside over the consolidation of French industry under German auspices and to join with German industrialists in an international political bloc. It was willing that French industry should produce for the German war effort; indeed, that was Puchou's announced intention.[1] But the closing down of French industry and the shipment of its experienced labor force to Germany made no part of Worms policy. Further coolness toward the Germans doubtless resulted from the growing conviction that, with America in the war, a German victory was no longer so certain.

The next step for the Worms clique was therefore to

1. Statement to Paris-Soir, 27 March 1941, quoted in the previous report, p. 9.

hedge its bets. In this action it was, needless to say, not alone. Other powerful reactionary groups, equally convinced of the growing possibility of an Allied victory, saw the wisdom of two strings to their bows. Out of this common sentiment among men of common interests, a front gradually developed. The Comité des Forges, Banque Worms and several other influential banking houses and industrial firms apparently determined on joint action. At first, according to one source, MM. Reibel, Fabry and Funk were delegated to approach American interests to pave the way. Subsequently MM. Flandin and Pucheu were charged with the mission. It is even reported that this step had the sanction of a group of German generals and industrialists who were similarly moved to establish contact with the possible victors.

The program credited to this group by one source of intelligence,[1] while not confirmed except in gross outline by other reports, nevertheless is a perfectly consistent one. It embraced (1) the creation in North Africa of an anti-German focus independent of de Gaulle; (2) the establishment of a French army there, supported by French funds frozen in America or held in colonies here; (3) the retention of the French fleet, if possible for use with the proposed army; (4) the formation and equipment of an

1. CID document 30130 3.

army in metropolitan France to cooperate with the Allies in the event of a landing; (5) the linking of the franc to the dollar; and (6) the securing of guarantees from America against Russian propaganda in France or her colonies and against a Russian hand in the reorganization of France.

Whether this is necessarily the exact program, or, indeed, whether any point-by-point program was formulated, there is no doubt that this was the direction of the group's thinking. In dealings alike with the Germans and with the Allies, the men of Vorms have been motivated by two principal desires: to preserve and increase their power and their industrial empire, and to crush any effective political action from the left.

Overtures to the Allies were naturally conducted behind the backs of Laval and the Marshal. There is no indication that any progress was made. It is also possible that the Vorms group was about this time in touch with General Giraud, just escaped.[1] There seems little doubt that the intention of the Allies to invade North Africa became known, or was guessed by many of those who were seeking to preserve their balance in a precarious situation. Darlan was certainly in touch with the events before the actual invasion, and men like Pucheu were quick to attach themselves to such persons as would be likely to represent

1. There are even reports that the general's escape was engineered by the industrial collaborationist group.

France in the new alignment.

Whether Laval and the Germans knew of the scurrying to climb aboard the Allied band-wagon, or whether the natural forces of disintegration were at work on a cabinet of men no longer holding the similar views, it is true that signs of break-up began to appear at Vichy. On 12 September, Leroy-Ladurie was dismissed as Minister for Agriculture and Supply; on the 20th Laval asked and received the power to remove government officials at his own discretion; on the 27th Benoist-Mechin was ousted for an alleged plot to replace Laval with a triumvirate of Doriot, Platon, and himself. Laval also assumed Benoist-Mechin's post as head of the Tricolor Legion. Guerard had meanwhile been relieved as Secretary-General attached to Laval and sent to Lisbon.

From this time forward it is believed just to assume that the Worms group exercised only negligible influence in the French government, which had become the personal instrument of Laval. This is not to say that Laval would not use the Banque Worms when convenient, or that it would not play with Laval when profitable, but only that the identity of interest previously existing between the government and the Banque Worms now becomes, in view of the reorientation of the group's long-term view, rather an occasional alliance for temporarily common ends than an enduring marriage based on fundamental agreement.

From this date until August 1943, little is known of the operations of Worms et Cie. in metropolitan France or on the Continent. This is not only because the German occupation of the whole of France sharply decreased the flow of intelligence from France, but also because the whole focus of Worms activities shifted from France to North Africa. So far as is known, MM. Barnaud, Benoist-Mechin, Leroy-Ladurie, and other less important members of the group remained in France, where they undoubtedly sought to guard the interests of the clique and to maintain that contact with the Germans which, when peace comes, they hoped would permit Worms et Cie. to serve as the liaison between German and Allied banking and industrial circles.

The principal chronicle of Worms et Cie. activities, however, now moves to North Africa.

B. The Invasion of North Africa and Its Results

1. Pucheu and Flandin. On 7 November 1942, while the Laval government was undergoing an uncomfortable shaking-down, the Allies invaded French North Africa. A period of Allied offensive, the particular point chosen, and even the initial overwhelming success of the venture did not find the Worms group unprepared. Ten days after the first landing, MM. Flandin and Pucheu departed first for Spain and subsequently for North Africa. It will be recalled that this is the pair alleged to have been chosen to approach

the Allies earlier in the year. The day they fled, Darlan was outlawed by the Laval government for his part in the operation, and two days later Laval became substantially head of the state.

Flandin apparently preceded Pucheu to North Africa, while the latter remained for a time in Lisbon, whose strategic location, with lines of communication to enemies and neutrals alike, was ideal for a representative of the Janus-faced group he represented.

On 8 May 1943 Pucheu landed in Casablanca, and subsequently went to Algiers. It is reported that he travelled under the assumed name of Pierre Pourrier, and that his brother, a pro-German, was assistant director of the Compagnie Générale Transatlantique in that city.

It is believed that he was at first assigned a residence in southern Algeria pending Allied examination of his case. According to one source, it was on General Giraud's initiative that this step was taken.

The reaction to his appearance in Allied territory was immediate among Frenchmen of liberal opinions. One source, perhaps extreme in his political point of view, wrote, "Now we are informed that not only Pucheu returned to Algeria where Flandin remains 'retired of all political activities' -- they couldn't say 'of all activities' -- but also the Gang: Bréart de Boisanger, Baudouin, Barnaud,

du Moulin de la Barthete, etc., who although they are not present, have an eye and an ear and perhaps a paw there. The others, Giraud and his commandants? Two possibilities only, accomplices or stupids."

More than three months after his arrival in North Africa, a determined step was taken to render Pucheu harmless. On 14 August Pucheu was arrested in French Morocco, whence he had apparently gone from Algeria. He was the first person to feel the power of the Commission of Purification established by the French Committee of National Liberation, and was detained in Meknes prison.

It is believed that Pucheu will be tried, probably not publicly, but in camera, and perhaps by court-martial, since French North Africa is still "in a state of seige." There is indication that he will face one of two charges: treason, with a possible death penalty, or abuse of power, with a long prison term. The particular offense for which he will be held will probably be his responsiblity for the execution of fifty hostages after an attack on a German soldier.

It is significant to note that Pucheu was arrested without waiting for the commission to begin its work, and even before the personnel of the commission had been appointed.

No details of any activities of Pucheu and Flandin

on behalf of the Banque Worms in North Africa are presently available. In certain events it is difficult to believe that they have not had a hand, though proof is lacking. But the reactionary bankers and industrialists had a representative in the area about whose operations something is known, and whose activities probably furthered the interests of Worms et Cie., among others, better than if MM. Pucheu and Flandin had themselves conducted the negotiations.

3. Hypolite Worms. It is believed that Worms himself fled from France to North Africa, where he lived at 7, boulevard Maréchal Pétain, Algiers. In any event, he does not seem to have been active himself in the political and financial maneuvers with the Allies.

5. Jacques Lemaigre-Dubreuil. The person apparently most useful to Worms et Cie. in North Africa, Jacques Lemaigre-Dubreuil, appears with a background of actions and opinions of exactly the same stamp as those of the Worms men whose careers are now familiar.[1]

As indicated above, one source states that Lemaigre-Dubreuil has become a partner in Worms et Cie. at the direct request of the Germans. This is not confirmed by independent

1. Much of the information on Lemaigre-Dubreuil here presented has been drawn from the valuable detailed report of 21 April 1943 on the Banque Nationale pour le Commerce et l'Industrie, prepared by Alexander Sacks of the Department of Justice.

information; but it is not a matter of first importance, since Lemaigre-Dubreuil, whether a Worms partner or not, has acted to serve the interests of that bank and of a number of other banking and industrial firms of a similar reactionary and collaborationist character.

Lemaigre-Dubreuil is a man of considerable wealth gained largely by the importation of vegetable oils from North Africa to France. He first came to the attention of reactionary French circles through his activities in the Paris riots of February 1934 arising out of the Stavisky scandal. He soon became a friend of the notorious Doriot, and occupied himself with furthering reactionary political issues by the organization of various fascist groups intended to focus mass pressure where it might affect policy. One such society was the Peasant Green Shirts, seeking, like Jacques Leroy-Ladurie's National Confederation of Agriculture, to organize small farmers for illiberal political action.

Another and even more infamous organization sponsored by Lemaigre-Dubreuil was the Ligue des Contribuables, or Taxpayers' Association, of which the aim was a tax strike designed to cripple the Blum regime. This association openly agitated against parliamentary government on several fronts. In this enterprise he was first supported by Worms et Cie. and later by other heavy-industry groups

(the Comité des Forges, the Comptoir Siderurgique de France, the Fabre-Fraissinet shipping interests, and others) all equally eager to sabotage the Popular Front government. Subsequently the Confédération du Patronat Français, the employers' association which was fighting the government's social security program, and which had considerable joint membership with the Cagoulards, also contributed to the Ligue. These groups also supported Lemaigre-Dubreuil's green-shirt activities.

Such subversive activities did not go unnoticed. In 1937 Lemaigre-Dubreuil was tried and convicted of publishing notices urging the French not to subscribe to defense loans. At about the same time he was also convicted of "atteint au crédit d'état" for having betrayed secret information about the exchange equalization fund of the Banque de France, secured through his membership on the board of the bank, where he represented the bank's small shareholders. His political influence is indicated by the fact that both sentences were suspended.

At about this time Lemaigre-Dubreuil embarked on that favorite sport of political intriguers, the bribery of the venal press. Large sums were offered to publications of all complexions, especially those in financial straits. The end was always the same: the adoption of an editorial policy in favor of collaboration with Germany. One

publisher was offered three million francs to start a pro-German paper in 1939 after France had declared war; the offer was refused.

Others were not so scrupulous. Gaston Bergery, Vichy Ambassador to Turkey, accepted 80,000 francs from Lemaigre-Dubreuil for his newspaper, La Flèche.

From control by bribery to open ownership was but a step. In 1939 Lemaigre-Dubreuil acquired a one-third interest in the Paris newspaper Le Jour, which he operated jointly with MM. Fernand Laurent and Jean Rigaud.[1] From Paris, later from Clermont-Ferrand, and then from Marseille, Le Jour continued a violent anti-British and anti-American campaign, openly favoring the New Order. Its domestic policy was pro-Laval. The paper suspended publication in July 1941.

Lemaigre-Dubreuil had meanwhile once more aroused the curiosity of the government, and was the subject, early in 1939, of a secret criminal inquiry, of which the result if any is not known.

With the fall of France Lemaigre-Dubreuil's Germanism began to pay dividends. He travelled freely from the unoccupied zone to occupied France and Germany. He served as intermediary for the Franco-German Economic

1. Laurent, a close friend of Lemaigre-Dubreuil, subsequently came to this country and was vocally anti-Vichy. Rigaud was Secretary for Political Affairs in North Africa, but later resigned..

Commission at Wiesbaden, the chief Axis agency purchasing and shipping war materials from France to Germany.

Even more important, in view of future developments, was Lemaigre-Dubreuil's role in the exploitation of the French North African colonies for the benefit of the Axis. He is said to have acted as secret agent for the German Commission in French West and North Africa, arranging the flow of foodstuffs from Dakar, Oran, and Casablanca to Genoa. The Banque Worms is believed to have acted both as financial and as shipping agent in these transactions. It is likely that, if Lemaigre-Dubreuil actually did assume a partnership in Worms et Cie. he did so at this time. In any event, he was certainly dealing closely with the firm, and maintained personal friendships with Pucheu, Leroy-Ladurie, Baudouin, and Barnaud.

Despite his links with the Axis, Lemaigre-Dubreuil was approached by representatives of the United Nations for aid in planning the Allied invasion of North Africa. He agreed to procure the help of pro-Allied elements in the French army and the North African civil administration. It is believed that Lemaigre-Dubreuil was brought into the picture through his friendship with General Giraud, reported to be close; it is even alleged that Lemaigre-Dubreuil used his Nazi connections to aid Giraud in escaping from Keonigstein.

During the actual invasion, Lemaigre-Dubreuil's assistance proved of substantial initial value, according to Robert Murphy. He is reported, for example, to have established a secret organization of young Frenchmen in Algiers, many of them employees of his vegetable-oil plants there, who seized the Algiers telegraph, telephone. and radio stations under Lemaigre-Dubreuil's leadership. He later acted as liaison officer between Murphy and Generals Last and Bethouart, and is credited by Allied officials on the scene with having given shrewd, courageous, and effective aid to the invasion.

He did not, however, abandon his double-dealing. Having urged the Fighting French and de Gaullist factions in North Africa to help the Allies, which they did, he witnessed their imprisonment after the landing without apparent protest. He was also careful to emphasize the importance of allowing the Vichy civil and military leaders to remain in power in North Africa, despite the fact that these men had actually resisted the invasion and had records of reaction and collaboration.

The rewards, in authority alone, which Lemaigre-Dubreuil reaped from his role in the invasion were considerable. He became Chief Economic Delegate and Chief Delegate for Inter-Allied Affairs in the new French North African regime, and subsequently a member of the French

Military Mission to the United States, in which he exercised a preponderant role.[1]

4. The Revision of the North African Exchange Rate. It has been indicated earlier, in discussing the transfer of funds to North Africa by Worms et Cie., that two steps beyond the mere transfer of assets were likely to be attempted in order to realize to the full the profits of collaboration.

The first of these was the manipulation of the franc: dollar:sterling rate of exchange in favor of the franc.

Evidence is ample and well-founded of maneuvers in this direction by the Banque Worms and associated collaborationists.

In May 1940 agreement was reached among the Free French, British, and Americans on a pegged rate of 176 Free French francs : £1 : $4.04. When the Allies invaded North Africa, a rate for the currency of the occupied area was established of Fr. 300 : £1 : $4.00. When the French North African government was established, however, it objected to the discrepancy between the Free French and the French North African rates vis-a-vis the dollar and pound, and the subject was raised for discussion.

There were unquestionably at this time reasons for a revision of the exchange rate which had no connection whatever with the attempts of the collaborationists to realize

1. The activities of Lemaigre-Dubreuil in the United States are considered in Appendix B.

a profit. These groups nevertheless did stand to make an enormous gain by the revision of the rate in favor of the franc. They were not slow to bring what pressure they could to effect such a change.

The most useful person for this purpose was the man among the collaborationists who had succeeded in ingratiating himself with the Allied authorities -- Lemaigre-Dubreuil. As one who had aided the Allied landing, he was persona grata; as Chief Economic Delegate and Chief Delegate for Inter-Allied Affairs the matter was in his official competence. The result was the ratification by President Roosevelt and Prime Minister Churchill at Casablanca, of the rate Fr. 200 : £1 : $4.00. It is reported by one source, without confirmation, that Lemaigre-Dubreuil dealt with Robert Murphy, who in turn brought the matter to the President's attention.

Having transferred some 25 billion francs to North Africa, at the time worth approximately $330,000,000, the collaborationists thus increased the value of their deposits to some $500,000,000, resulting in a paper gain of about $170,000,000.

5. Further Movements of the Collaborationist Funds. The third step necessary to complete the fullest realization of the profits of collaboration was the translation of the funds then in North Africa from francs into some

free currency, investments, or real property. It is not likely that the Banque Worms and the others concerned would be content with mere paper profits which would largely disappear when the franc found its natural level.

Numerous attempts have already been made to secure dollars. There have probably been equally determined attempts to secure sterling, though no details of such maneuvers have come to hand. The first proposal was the freeing of the dollar accounts held in the United States by the various North African banks, which have been blocked with other French assets here. Representatives of the United States Treasury in North Africa have reported urgent requests for such a step by Ben Bechier, Director of Exchange Control for Algeria as well as an employee of the State Bank of Algeria, by the State Bank of Morocco, by a M. Tron, Secretary of Finance to the French High Command, and by the highest officials of the French African government, including General Giraud.[1]

When it appeared that this proposal was not likely to meet with immediate success, the alternative of freeing at least the accounts of the Office des Changes, that is, the official exchange control agency, was advanced.

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1. The relations between the collaborationist banks on the one hand and the North African banks and exchange control authority on the other have been noted above. According to the Treasury Department, pressure was probably put on Giraud by Lemaigre-Dubreuil and his associates.

In response to these requests, a license was issued under which transfers from official accounts might be made, but with ten days' advance notice to the U. S. Treasury, during which period any transaction could be vetoed. In this manner it was hoped that improper transfers might be prevented.

The dollar accounts here of the former French government and of the Banque de France have also been sought by the Giraud regime.

Another ingenious means whereby the collaborationist banks could secure dollars would be through the financing of United States forces in North Africa. Originally our invading forces were paid in special occupation dollars, which could be exchanged for francs at the then prevailing rate. More recently, the troops were paid in francs. To secure these francs, the United States "purchased" them from the State Banks of Morocco and Algeria, that is, we established dollar accounts in favor of these banks with the Federal Reserve Bank of New York, and received francs from them in North Africa. As of early June 1943, these accounts were in excess of $75,000,000.

These dollar assets technically belong to the Treasury of the French government in Africa. Since that government has no other considerable assets, it must borrow the francs which it makes available to us from banks

in North Africa. But these banks, as has been seen, are largely in the control of collaborationists and are the repositories of huge sums in francs owned by the Worms group and its colleagues. In short, the French African Treasury is placed in the position of owing large balances to the collaborationist banks and of having as its only considerable asset dollar balances in the United States. Thus it is only the limitations placed by the United States on the use of these dollar balances which prevents the collaborationists from changing their francs into free currency.

Another means of securing dollars was the subject of much maneuvering. This was the proposed sale to Frenchmen in the United States of securities issued by the French North African government. It has been advanced with the utmost political pressure by the Giraud regime, on the ground that it is the psychological and propaganda benefits of such a step which are specially desirable rather than the mere acquisition of funds.

It is highly important, as an indication of the zeal with which the French are pressing for external currency, to note that similar proposals for the flotation of loans were made to the governments of Great Britain, Spain, and Brazil.

The reply of the United States to this approach was

both ingenious and momentarily effective. It was pointed out to the French that France was one of the nations in default of debt-payments to our government. The Johnson Act of 13 April 1934, forbids persons resident in the United States from purchasing securities of governments thus in default. The sale of any such securities was hence declared impossible. The control of the Securities and Exchange Commission was also effective in this direction.

Another means whereby the collaborationists would be able to get their assets out of francs would be the purchase of real property in North Africa. No details are known of any attempts to do so, but it would be possible to purchase mines, utilities, farm land or other forms of property which would not only be more likely to retain a fixed value than the franc, but would also offer the opportunity so to confuse title, by dummy sales and perhaps even by sale to and repurchase from persons with a legitimate interest, that efforts to trace, control or punish the principals would be almost impossible.

IV. THE GENERAL PROBLEM

A. North Africa

1. The Nature of the Question. The problems in North Africa have been of two kinds: men and money. The problem of men concerns the treatment which shall be accorded to persons of known collaborationist background, some of whom

like Pucheu, have tried to insinuate themselves into the good graces of the Allies and failed, and some who, like Lemaigre-Dubreuil, tried and succeeded.

With respect to those remaining in metropolitan France the situation is even more difficult. There is no question but that all, even the most arch-collaborationists, will attempt to turn to the victors as soon as they can. The indication that Laval himself has sought to paint his career as one of unwilling collaboration and secret pro-democratic sympathy confirms the belief that no record is too black to hope for whitewash.

The problem of money centers on the means whereby proved collaborationists can be prevented from realizing on their gains. The question has been stated by the Treasury Department: "By and large the bulwark of this (the United States') defense has been our freezing orders pursuant to which French assets in this country may only be used pursuant to Foreign Funds Control license. This strategy is purely defensive on our part and leaves the collaborationists in a position to maneuver on any level in searching for the weakest link in the control. While our controls are effective, it would be foolish to be lulled into any sense of false security -- for the freezing controls are no stronger than our licensing system. The French will press for licenses on all fronts -- making full use of political tactics to achieve their end. It is on

this level that the defense of our freezing regulations will most likely crack, for much will be made of the fact that the French are a 'proud and sensitive people' and that our controls are incompatible with their status as a sovereign ally. It may be expected therefore that pressure on the State Department will be great."[1]

2. Defects of Previous Policy. From the mistakes made in North Africa it is to be hoped that enough may be learned so that the errors will not be repeated as other countries are occupied.

The less-than-realistic attitude toward persons who may be temporarily useful has been noted above. A sterner policy is certainly much to be desired.

What is needed at least as much as a stern policy toward individuals is a stern policy toward matters of finance. In this respect the North African experience has been most unfortunate.

The representatives of the United States Treasury, when they landed at Algiers on 8 November 1942, carried with them drafts of decrees which would have imposed really effective currency and financial controls from the outset. These decrees were never issued, since there was no administrative machinery through which the controls could

1. COB Airgram 137, 8 June 1943, from CCNA to NANB.

be implemented. Our forces were not in the position of an army of occupation which could itself issue binding orders. It was instead necessary to persuade the French to act.

At the insistence of our Treasury representatives, the French issued on 16 November "Instructions to Banks" which provided, among other things, for blocking of all bank accounts of European nationals, including metropolitan France. Nearly a month later, after prolonged talks with the Treasury agents, a 'Trading with the Enemy' ordinance was issued, providing penalties for such trade and the issuance of a black list.

After four further months of negotiations, the French finally brought out a sequestration decree, establishing the machinery for blocking franc balances of collaborationists in North Africa if the French authorities should choose to do so. The Treasury properly remarks, however, that "no one should be overly optimistic that the collaborationists in their political capacity are going to impose effective controls on themselves in their financial capacity."

The whole question of financial controls in North Africa has been the subject of protracted discussion between Allied representatives and the French. It is clear that the confusion which resulted from unsettled policy

and divided councils left the way open for the collaborationists to maneuver and machinate not only in spite of but even because of the actions of the United Nations.

B. Suggestions for Policy in Future Occupations

The problems of occupation may well be fewer in countries which are not in any sense allies. The relations between persons now within countries to be occupied and their governments-in-exile will raise some difficulties, and perhaps offer some opportunities for collaborationists to turn coat successfully. But if the executive authority is retained in the hands of the occupying power not only during the military but also during the civilian phase of occupation, it should be possible to avoid the besetting dilemmas which arose in North Africa and prevented the United Nations from taking as strong a line as was required.

If the executive power is retained by the Allies, if those who may have been used to pave the way for invasion are realistically used and not built into the administration of the country, if the return of the governments-in-exile or the establishment of other governments is delayed until the house has been cleaned, then it will be possible to achieve a rational and efficient policy.

With reference to financial questions in particular, the following steps by the Allied executive should effectively balk improper activities if they are taken immediately

on occupation:

1. The blocking of all bank balances in the area.

2. The establishment of a firm ratio between the local currency and the dollar and the pound, not to be altered subsequently without the most careful scrutiny as to the effects of a change.

3. The imposition of severe penalties for trading with the enemy or for communication with him, and the issuance of black lists for suspected persons or companies.

4. The prohibition of transfers of title to real property without Allied license.

5. The prohibition of the acquisition of any free currency above small amounts.

6. The investigation by Allied authorities of the financial activities of all persons suspected of collaboration, with pressure on local banks and businesses to aid such investigations.

7. The creation of a tribunal, either Allied or Allied and local, to hear cases concerning collaboration and to fix and execute punishments.

If all these steps are taken, and taken early in the period of occupation, it should be possible to prevent any repetition of the North African difficulties.

APPENDIX A. COMMENTS ON PUCHEU'S LETTER OF 14 APRIL 1943

CID document 36546 S is a translation of a letter purported to have been sent by Pucheu to Admiral Auboyneau, National Commissioner for the Navy, and intercepted by the American authorities in North Africa.

The letter is an apologia for Pucheu's actions since June 1940. Well over 2000 words in length, the letter details the policy guiding Pucheu's activities and the reasons for many steps taken by him during his tenure of government office and thereafter.

There appears to be no reason to doubt the authenticity of the document. Pucheu was in North Africa at the time the letter was written. Personal details and such matters of fact as are susceptible of confirmation agree with what is known.

The sincerity of the letter is another matter. Numerous points of internal evidence are suspicious. For example, Pucheu is writing to a school-friend whom he has not seen for nearly thirty years, yet the entire letter is confined to events since June 1940. Nor is there any personal information in the letter -- no mentions of common friends, no trivia of the sort one would naturally address to an old friend long out of touch. Only Pucheu's political activities in the last three years are mentioned.

It is also remarkable that there is nowhere in the letter a single indication, however small, of any pro-German or anti-democratic feeling. For every situation Pucheu has an explanation of his actions which makes it appear that he has been constantly and unceasingly working against the Germans and for the Allies. This is in direct contradiction with every item of intelligence on Pucheu received from the widest variety of sources.

The letter speaks of dealings Pucheu had with labor leaders to sabotage the draft of French workers for Germany. Yet intelligence from at least three sources active in the underground movement is emphatic in condemning Pucheu as dangerous.

Finally, Pucheu states that he is anxious to serve against the Germans in some minor capacity, preferably anonymous. This is contrary to all that has been declared about his ambition, his will to power, and his general ruthless drive.

It is appropriate to inquire what end Pucheu might have gained by fabricating such an elaborate document and falsifying his whole ideology. First, he wrote to Auboyneau, a high official of the Gaullist movement who was also conveniently a boyhood friend. Should Auboyneau be convinced by Pucheu's story, he would be well placed to plead his case with the Gaullists and the Allies.

Second, he wrote from North Africa, where he had been under surveillance. It would be natural to expect that his correspondence would be examined. What better way, then, to convince the Allied authorities of his bona fides than to write a complete history of his politics and policies since 1940? And if he had been able thus to convince them of his pro-democratic position, he would have been able to move about freely, to gain information and perhaps eventually to acquire authority which would make him an invaluable advance agent for the Vorms clique in the Allied camp.

In the previous report it was remarked, "The members of the group may be expected to seek their own protection in the event of an Allied or of a German victory and to use their wide international relations for the benefit of whichever side seems to be prevailing." In the belief that this is exactly what Pucheu was doing, and that the letter in question is a step along this way, it is felt that the document may correctly be judged a falsification of facts and may be disregarded in assessing Pucheu's true motives and character.

APPENDIX B. JACQUES LEMAIGRE-DUBREUIL'S OPERATIONS IN THE UNITED STATES[1]

On Christmas Day 1942 the Giraud Military Mission arrived in the United States. It was headed by Gen. Emile Bethouart; his Chief Civil Adviser was Jacques Lemaigre-Dubreuil.[2]

What official functions Lemaigre-Dubreuil performed while in this country are not known to the author. But he engaged, himself or through his aides, in several other activities of a highly questionable character.

As might be expected from the foregoing, one of Lemaigre-Dubreuil's principal aims was to obtain the freeing of dollar-accounts of banks and commercial houses in North Africa, and to establish business relationships here which would open additional dollar-accounts.

Lemaigre-Dubreuil apparently spoke little English. For this reason, or because he did not wish to appear in the affair himself, he charged a member of his staff, officially an "Interpreter" with the task of visiting American bankers with a view to promoting some business.

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1. This account is based largely on the Department of Justice report of 21 April 1943 previously cited, with some corroboration from independent sources.
2. It will be recalled that Gen. Bethouart was one of the military figures between whom and Robert Murphy Lemaigre-Dubreuil is believed to have served as liaison during the first phase of the North African invasion.

This "Interpreter" was Rudolphe d'Adler, an official of the Banque Nationale pour le Commerce et l'Industrie, more frequently known as "Laval's Bank."

The day after the arrival of the Mission, d'Adler commenced his visits. He first called on the Chase National Bank. The officials on whom he called were not unnaturally perplexed at the mixed status of d'Adler, and one of them has stated that "it would seem from the conversation that what the Mission is endeavoring to do is to obtain the freeing of accounts of all banks, commercial houses, and others operating in North Africa."

The real purpose of his visit, however, was probably to open business relations with the Chase Bank which would lead to the accumulation of dollar-accounts here. The Chase officials, according to their own statement, declared "how pleased we would be to enter into a relationship with you..." and gave d'Adler "assurances that we would be willing to extend every possible assistance to you in the handling not only of the account but of such other business as you may entrust to our care..." They pointed out that "once the account has been opened, however, we shall file an application with the proper authorities here for a license, which, if granted, will permit operation of the account on a basis which will cause you the minimum of inconvenience"

Subsequently d'Adler also visited the National City Bank and the Irving Trust Company. It is believed that nothing came of these calls.

The other step with which Lemaigre-Dubreuil concerned himself above and beyond the call of his official duties was an attempt to subsidize the French language publications in this country. In this he also used an intermediary, Michel Pobers.

Pobers had been a newspaper man in France, and had served as foreign editor on Le Jour when Lemaigre-Dubreuil acquired a one-third interest in that paper. He preceded Lemaigre-Dubreuil to this country, landing on 10 July 1941, and soon established the French newspaper Pour la Victoire.

When the Mission landed, Pobers immediately established contact with Lemaigre-Dubreuil. Frequent discussions took place concerning the policy of Pobers' paper. Pobers claims that Lemaigre-Dubreuil furnished him with funds to purchase all French-language publications in this country, as well as a radio station.

The aim of Lemaigre-Dubreuil was unquestionably to push the cause of the Giraud regime at the expense of the de Gaulle movement. Being well established in the inner councils of the Giraud government, he did not wish that position disturbed.

This aim met with some success. The Free French

paper, La Voix de France ceased publication. The effect on the de Gaullists was disheartening. In these operations Geneviève Tabouis, Boris Souvarine, and others were reported to have sided with Lemaigre-Dubreuil.

Pobers was meanwhile said to have purchased Le Courrier du Pacifique, one of the most important French dailies in this country. Negotiations for other French publications in New England and Louisiana were believed to be in progress. In this connection the attempt to secure permission to sell obligations of the Giraud government to Frenchmen in this country may be recalled; in such an operation the newspapers would be of enormous assistance.